

FINANCIAL STATEMENTS

**ELBA TOWNSHIP
LAPEER COUNTY, MICHIGAN**

June 30, 2007

TOWNSHIP BOARD

John Kosiara - Supervisor

Brenda Johnson - Clerk

Nina M. Suter - Treasurer

Mark Connell - Trustee

Mike Hodges - Trustee

Michael Stockman - Trustee

J. Paul Stock - Trustee

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* ELBA TOWNSHIP	County* LAPEER	Type* TOWNSHIP	MuniCode* 44-1-080
Opinion Date-Use Calendar* Sep 18, 2008	Audit Submitted-Use Calendar* Sep 25, 2008	Fiscal Year End Month* 06	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 834,699.00
General Fund Expenditure:	? \$ 635,313.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 1,183,772.00
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* SCOTT	Last Name* MCCALLUM	Ten Digit License Number* 1101015463		
CPA Street Address* 624 W NEPESSING STE 106	City* Lapeer	State* MI	Zip Code* 48446	Telephone* +1 (810) 664-2961
CPA Firm Name* ROBSON & MCCALLUM	Unit's Street Address* 4717 LIPPINCOTT	Unit's City* Lapeer	Unit's Zip* 48446	

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITOR'S REPORT

I

MANAGEMENT'S DISCUSSION AND ANALYSIS

II - V

Basic Financial Statements

Statement of Net Assets

1

Statement of Activities

2

Balance Sheet - Governmental Funds

3

Reconciliation of Total Government Funds Balances to Net Assets of
Governmental Activities

4

Statement of Revenues, Expenditures, and Changes in Fund Balances

5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

6

Statement of Net Assets - Enterprise Fund

7

Statement of Revenues, Expenditures and Changes in Fund Net Assets - Enterprise Fund

8

Statement of Cash Flows - Enterprise Fund

9

Statement of Fiduciary Net Assets

10

Notes to the Financial Statements

11 - 18

Required Supplemental Information

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - General Fund

19

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - Fire Fund

20

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - Lake Nepessing Weed Control

21

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - Liquor Control Fund

22

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - Capital Improvement Fund

23

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget
and Actual - Disaster Fund

24

Other Supplemental Information

Non-Major Governmental Funds

25

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

26



ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Elba
4717 Lippincott Road
Lapeer, Michigan 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elba Township (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elba at June 30, 2007 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elba Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robson and McCallum
September 18, 2008

TOWNSHIP OF ELBA
LAPEER COUNTY
LAPEER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Township of Elba, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

Financial Highlights

The assets of Elba Township exceeded its liabilities by \$7,767,175, of this amount, \$1,551,953 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year the Township's governmental funds reported combined ending fund balances of \$1,551,953 an increase of \$149,246 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,183,772, or approximately 187% of normal general fund expenditures.

The Township's total debt decreased \$105,000, during the current fiscal year.

Overview of the Financial Statements

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, public works, cemetery and building department operations. The business-type activities of the Township include a sewer system.

Reporting the Township's Most Significant Funds - Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Elba Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriation budget for its general fund and special revenue funds. A budgetary comparison statements has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer activity.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 10 of this report.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements.

The following table shows, in a condensed format, the net assets as of June 30, 2007 and June 30, 2006.

	Governmental Activities	Business Type Activities	Total	06/30/06 Total
<u>Assets</u>				
Current Assets	\$1,691,283	\$1,194,076	\$2,885,359	\$2,816,097
Capital Assets - Net of Depreciation	<u>1,668,096</u>	<u>3,981,955</u>	<u>5,650,051</u>	<u>5,435,930</u>
Total Assets	<u>\$3,359,379</u>	<u>\$5,176,031</u>	<u>\$8,535,410</u>	<u>\$8,252,027</u>
<u>Liabilities</u>				
Current Liabilities	\$ 139,330	\$ 138,905	\$ 278,235	\$ 120,330
Long-Term Liabilities		<u>490,000</u>	<u>490,000</u>	<u>605,000</u>
Total Liabilities	<u>\$ 139,330</u>	<u>\$ 628,905</u>	<u>\$ 768,235</u>	<u>\$ 725,330</u>
<u>Net Assets</u>				
Invested in Capital Assets	\$1,668,096	\$3,376,955	\$5,045,051	\$4,725,930
Restricted		<u>1,170,171</u>	<u>1,170,171</u>	<u>1,398,060</u>
Unrestricted	<u>1,551,953</u>		<u>1,551,953</u>	<u>1,402,707</u>
Net Assets	<u>\$3,220,049</u>	<u>\$4,547,126</u>	<u>\$7,767,175</u>	<u>\$7,526,697</u>

The following table shows the changes of the net assets during the fiscal years ending June 30, 2007 and June 30, 2006.

	Governmental Activities	Business Type Activities	Total	Total 06/30/06
<u>Revenue</u>				
Program Revenues:				
Charges for Services	\$ 33,143	\$ 134,232	\$ 167,375	\$ 168,102
Rent	5,100		5,100	4,800
Other	5,077		5,077	11,399
General Revenue:				
Property Taxes and Collection Fees	710,148		710,148	700,105
Assessments	24,388		24,388	21,656
State-shared Revenue	377,062		377,062	378,361
Interest Earnings	56,224	67,058	123,282	100,987
Capital Grants		51,574	51,574	
Total Revenue	<u>\$1,211,142</u>	<u>\$ 252,864</u>	<u>\$ 1,464,006</u>	<u>\$1,385,410</u>
<u>Program Expenses</u>				
General Government	\$ 467,211	\$ -0-	\$ 467,211	\$ 419,671
Public Safety	388,569		388,569	379,058
Public Works	72,256		72,256	86,193
Sewer		295,492	295,492	300,231
Total Program Expenses	<u>\$ 928,036</u>	<u>\$ 295,492</u>	<u>1,223,528</u>	<u>\$1,185,153</u>
Change in Net Assets	<u>\$ 283,106</u>	<u>\$ (42,628)</u>	<u>\$ 240,478</u>	<u>\$ 200,257</u>

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Township had \$5,650,051 invested in broad range of capital assets, including land, building and equipment. This amount represents a net increase of \$214,121.

Land and Improvements	\$ 187,512
Buildings and Improvements	685,999
Equipment	838,853
Vehicles	1,163,754
Sewer System	5,123,535
Total Capital Assets	\$ 7,999,653
Less Accumulated Depreciation	(2,349,602)
Net Capital Assets	<u>\$ 5,650,051</u>

Debt Administration

The Township had one major source of debt during the fiscal year ended June 30, 2007: bonds issued for the Lake Nepessing Sewer System. The Township paid \$105,000 towards those obligations.

Governmental Fund Budgetary Highlights

The General Fund was amended during the year to allow for expenditures that would exceed original budgeted amounts. The Fire Fund was not amended as it was adopted in total. At the close of the Fiscal Year total expenditures did not exceed budgeted amounts, however, no allowance was made for the amount due, and paid after June 30, on a capital purchase causing the fund to be over budget by \$104,387.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A and the Headlee Amendment, the Township must continue to watch the budget very closely. The most significant of these events during the fiscal year are the potential cuts in State Revenue Sharing. These revenues decreased due to the downturn in the economy and State cutbacks during 2006 and 2007.

Issuance of Bonds

On July 18, 2007 bonds were sold in the amount of \$3,090,000 for the construction of a sewer system around Potters Lake. A Special Assessment District has been established for the repayment of those bonds.

Contacting the Township's Management

This financial report is intended to provide our residents, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 4717 Lippincott Road, Lapeer, MI 48446.

John Kosiara
Township Supervisor

STATEMENT OF NET ASSETS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,226,574	\$ 1,026,245	\$ 2,252,819
Receivables			
Other Governments	118,110		118,110
Accounts		55,177	55,177
Assessments		368,782	368,782
Inventory		38,200	38,200
Internal Balances	337,355	(323,608)	13,747
Bond Discount		9,306	9,306
Deferred Loss		19,974	19,974
Prepaid Items	<u>9,244</u>		<u>9,244</u>
Total Current Assets	<u>\$ 1,691,283</u>	<u>\$ 1,194,076</u>	<u>\$ 2,885,359</u>
Capital Assets:			
Land	\$ 24,500	\$ 163,012	\$ 187,512
Buildings	685,999		685,999
Equipment	682,523	156,330	838,853
Vehicles	1,163,754		1,163,754
Sewer System		5,123,535	5,123,535
Accumulated Depreciation	<u>(888,680)</u>	<u>(1,460,922)</u>	<u>(2,349,602)</u>
Net Capital Assets	<u>1,668,096</u>	<u>3,981,955</u>	<u>5,650,051</u>
Total Assets	<u>\$ 3,359,379</u>	<u>\$ 5,176,031</u>	<u>\$ 8,535,410</u>
LIABILITIES			
Accounts Payable	\$ 139,330	\$ 17,435	\$ 156,765
Accrued Interest		6,470	6,470
Current Portion of Long-Term Debt		115,000	115,000
Non-Current Liabilities			
Bonds Payable		<u>490,000</u>	<u>490,000</u>
Total Liabilities	<u>\$ 139,330</u>	<u>\$ 628,905</u>	<u>\$ 768,235</u>
NET ASSETS			
Invested in Capital Assets net of Debt	\$ 1,668,096	\$ 3,376,955	\$ 5,045,051
Restricted for Debt Service		605,000	605,000
Restricted for Sewer Operations		565,171	565,171
Unrestricted	<u>1,551,953</u>		<u>1,551,953</u>
Total Net Assets	<u>\$ 3,220,049</u>	<u>\$ 4,547,126</u>	<u>\$ 7,767,175</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF ACTIVITIES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

Functions/Program	Expenses	Charges For Services	Net (Expense) Revenue & Changes in Net Assets		
			Governmental Activities	Business Activities	Total
Primary Government:					
Governmental Activities:					
General Government	\$ 402,873	\$ 43,320	\$ (359,553)	\$ -0-	\$ (359,553)
Public Safety	388,569		(388,569)		(388,569)
Public Works	72,256		(72,256)		(72,256)
Insurance, Benefits and FICA	59,178		(59,178)		(59,178)
Other Activities	<u>5,160</u>		<u>(5,160)</u>		<u>(5,160)</u>
Total Government Activities	<u>\$ 928,036</u>	<u>\$ 43,320</u>	<u>\$ (884,716)</u>	<u>\$ -0-</u>	<u>\$ (884,716)</u>
Business Type Activities	\$ 249,820	\$ 134,232	\$ -0-	\$ (115,588)	\$ (115,588)
Interest on Long Term Debt	<u>45,672</u>			<u>(45,672)</u>	<u>(45,672)</u>
Total Business Type Activities	<u>\$ 295,492</u>	<u>\$ 134,232</u>	<u>\$ -0-</u>	<u>\$ (161,260)</u>	<u>\$ (161,260)</u>
Total Primary Government	<u>\$1,223,528</u>	<u>\$ 177,552</u>	<u>\$ (884,716)</u>	<u>\$ (161,260)</u>	<u>\$ (1,045,976)</u>

General Revenues:

Capital Grants - State of Michigan	\$ -0-	\$ 51,574	\$ 51,574
Property Taxes	710,148		710,148
Assessments	24,388		24,388
State Shared Revenues	377,062		377,062
Interest Earnings	<u>56,224</u>	<u>67,058</u>	<u>123,282</u>
Total General Revenue	<u>\$1,167,822</u>	<u>\$ 118,632</u>	<u>\$ 1,286,454</u>
Change in Net Assets	\$ 283,106	\$ (42,628)	\$ 240,478
Net Assets - July 1, 2006	<u>2,936,943</u>	<u>4,589,754</u>	<u>7,526,697</u>
Net Assets - June 30, 2007	<u>\$3,220,049</u>	<u>\$4,547,126</u>	<u>\$ 7,767,175</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 734,196	\$ 376,177	\$ 116,201	\$1,226,574
Prepaid Expenses	6,275	2,969		9,244
State Shared Revenue Receivable	118,110			118,110
Due From Other Funds	337,355	8,306		345,661
Total Assets	<u>\$1,195,936</u>	<u>\$ 387,452</u>	<u>\$ 116,201</u>	<u>\$1,699,589</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,858	\$ 135,472	\$ -0-	\$ 139,330
Due to Other Funds	8,306			8,306
Total Liabilities	<u>\$ 12,164</u>	<u>\$ 135,472</u>	<u>\$ -0-</u>	<u>\$ 147,636</u>
<u>FUND EQUITY</u>				
Fund Balance Unreserved	<u>\$1,183,772</u>	<u>\$ 251,980</u>	<u>\$ 116,201</u>	<u>\$1,551,953</u>
Total Liabilities and Fund Equity	<u>\$1,195,936</u>	<u>\$ 387,452</u>	<u>\$ 116,201</u>	<u>\$1,699,589</u>

See Auditor's Report and Notes to the Financial Statements.

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

Total Governmental Fund Balances	\$ 1,551,953
----------------------------------	--------------

Amounts reported for Governmental Activities
in the Statement of Net Assets are different
because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	<u>1,668,096</u>
---------------------------------------------------------------------------------------------------------------------------------	------------------

Change in Net Assets of Governmental Activities	<u><u>\$ 3,220,049</u></u>
-------------------------------------------------	----------------------------

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Taxes	\$ 381,933	\$ 328,215	\$ -0-	\$ 710,148
Assessments			24,388	24,388
State Shared Revenue	373,717		3,345	377,062
Charges for Services	33,143			33,143
Interest Earnings	35,729	15,450	5,045	56,224
Rentals	5,100			5,100
Other Local Revenues	5,077			5,077
Total Revenues	<u>\$ 834,699</u>	<u>\$ 343,665</u>	<u>\$ 32,778</u>	<u>\$ 1,211,142</u>
EXPENDITURES				
Current:				
General Government:				
Township Board	\$ 13,644	\$ -0-	\$ -0-	\$ 13,644
Supervisor	28,764			28,764
Elections	21,874			21,874
Assessor	39,463			39,463
Clerk	71,483			71,483
Cemetery	9,729			9,729
Board of Review	3,792			3,792
Treasurer	68,733			68,733
Legal, Audit and Engineering	37,223			37,223
Township Hall	86,761			86,761
Other General Government	7,387			7,387
Total General Government	<u>\$ 388,853</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 388,853</u>
Public Safety	132,717	174,822	3,345	310,884
Public Works	49,405		22,851	72,256
Insurance, Benefits, and FICA	59,178			59,178
Other Activities	5,160			5,160
Capital Outlay		225,565		225,565
Total Expenditures	<u>\$ 635,313</u>	<u>\$ 400,387</u>	<u>\$ 26,196</u>	<u>\$ 1,061,896</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 199,386</u>	<u>\$ (56,722)</u>	<u>\$ 6,582</u>	<u>\$ 149,246</u>
FUND BALANCE - July 1, 2006	<u>984,386</u>	<u>308,702</u>	<u>109,619</u>	<u>1,402,707</u>
FUND BALANCE - June 30, 2007	<u>\$1,183,772</u>	<u>\$ 251,980</u>	<u>\$ 116,201</u>	<u>\$ 1,551,953</u>

See Auditor's Report and Notes to the Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
ELBA TOWNSHIP- LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

Net change in fund balance -	
Total Governmental and Equipment Funds	\$ 149,246
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their useful lives.	225,565
Depreciation is an expenditure for the Statement Of Activities, but it is not reported in the Governmental Funds.	<u>(91,705)</u>
Change in Net Assets of Governmental Activities	<u>\$ 283,106</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF NET ASSETS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

SEWER FUND

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 1,026,245
Accounts Receivable	55,177
Assessments Receivable	368,782
Inventory	38,200
Bond Discount	9,306
Deferred Loss	19,974
Internal Balances	<u>(323,608)</u>
Total Current Assets	<u>\$ 1,194,076</u>
Capital Assets	
Land	\$ 163,012
Equipment	156,330
Sewer System	5,123,535
Accumulated Depreciation	<u>(1,460,922)</u>
Net Capital Assets	<u>\$ 3,981,955</u>
Total Assets	<u>\$ 5,176,031</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 17,435
Accrued Interest	6,470
Current Portion of Long-Term Debt	<u>115,000</u>
Total Current Liabilities	<u>\$ 138,905</u>
Long-Term Debt - Net Current Portion	<u>490,000</u>
Total Liabilities	<u>\$ 628,905</u>

NET ASSETS

Invested in Capital Assets - Net of Related Debt	\$ 3,376,955
Restricted for Sewer Operations	565,171
Restricted for Debt Services	<u>605,000</u>
Net Assets	<u>\$ 4,547,126</u>

See Auditor's Report and Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007**

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Use Charges	\$ 125,538
Connection Fees	<u>8,694</u>
Total Operating Revenues	<u>\$ 134,232</u>
<u>OPERATING EXPENSES</u>	
Management Fees	\$ 106,789
Utilities and Telephone	2,926
Operating Supplies	7,169
Repairs and Maintenance	25,845
Administration and Miscellaneous	3,918
Depreciation and Amortization	<u>103,173</u>
Total Operating Expenses	<u>\$ 249,820</u>
Operating Income (Loss)	<u>\$ (115,588)</u>
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>	
Interest Income	\$ 67,058
Interest Expense	(45,672)
State of Michigan Grant	<u>51,574</u>
Total Non-operating Revenues	<u>\$ 72,960</u>
Net Loss/Change in Net Assets	<u>\$ (42,628)</u>
<u>NET ASSETS</u> - July 1, 2006	<u>4,589,754</u>
<u>NET ASSETS</u> - June 30, 2007	<u>\$ 4,547,126</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

SEWER FUND

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 125,827
Payments to Suppliers and Vendors	(109,629)
Payments to Employees	<u>(1,083)</u>

NET CASH FLOWS FROM OPERATIONS	\$ <u>15,115</u>
--------------------------------	------------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on Long-Term Debt	\$ (105,000)
Interest Paid	(33,798)
Proceeds State Capital Grant	51,574
Special Assessments Collected	75,641
Advances from Other Funds	112,500
Capital Expenditures	<u>(183,434)</u>

NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ <u>(82,517)</u>
--------------------------------------------------------------	--------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	\$ <u>67,058</u>
-----------------	------------------

NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>67,058</u>
------------------------------------------	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (344)
------------------------------------------------------	----------

<u>CASH AND CASH EQUIVALENTS - July 1, 2006</u>	<u>1,026,589</u>
-------------------------------------------------	------------------

<u>CASH AND CASH EQUIVALENTS - June 30, 2007</u>	<u>\$ 1,026,245</u>
--------------------------------------------------	---------------------

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Loss	\$ (115,588)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	103,173
Increase in Accounts Receivable	(8,405)
Decrease in Inventory	18,500
Increase in Accounts Payable	<u>17,435</u>

NET CASH FROM OPERATING ACTIVITIES	<u>\$ 15,115</u>
------------------------------------	------------------

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF FIDUCIARY NET ASSETS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

	<u>TRUST AND AGENCY</u>	<u>CURRENT TAX COLLECTION</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 51,600	\$ 10,346	\$ 61,946
Total Assets	\$ 51,600	\$ 10,346	\$ 61,946
<u>LIABILITIES</u>			
Due to Other Units	\$ 2,699	\$ -0-	\$ 2,699
Due to Other Funds	3,401	10,346	13,747
Deposits	<u>45,500</u>	<u></u>	<u>45,500</u>
Total Liabilities	\$ 51,600	\$ 10,346	\$ 61,946
Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

The Township of Elba is a general law Township operating under Article 7, Section 17 of the Michigan Constitution of 1963 and under the revised statutes of 1846, as amended. Elba Township was organized in 1838 and is governed by a Board consisting of the Supervisor, Clerk, Treasurer and four Trustees. The Township provides its residents with public safety (police, fire and inspections), highways and streets, public improvements, planning and zoning and general administrative services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of Elba Township (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 - Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments.

Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.

Statement No. 34 - (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above statements did not affect the Fund Balance of the Township.

SCOPE OF REPORTING ENTITY:

In accordance with the provisions of the Governmental Accounting Standards Board Statement #14, "Defining the Governmental Report Entity", the financial statements of the Township of Elba contain all the Township's executive or legislative branches. Control by or dependence on the Township was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligations of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and the scope of public service.

JOINT OPERATIONS

Lapeer County Emergency Medical Service - The Township is a member of the Authority, a joint venture that operates under the Urban Corporation Act of 1967. Various local units of government within Lapeer County have elected to provide ambulance services to residents within their area by joining the Authority. Each local unit appoints one individual to serve on the Board of Directors. The Authority has locations in Lapeer, North Branch and Imlay City. During the year ended June 30, 2007, the Township contributed approximately \$16,386 toward the Authority's operations. The Township's interest in net assets of the Authority is not significant. Separate financial statements are available at the Authority's office.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

JOINT OPERATIONS (Continued)

Greater Lapeer Transportation Authority - The Township is a member of the Authority, Incorporated under Act 196 of 1986. Various local units of government within Lapeer County have elected to provide transportation services to residents within their area by joining the authority. Each local government appoints one individual to serve on the Board of Directors. The Township's made no contributions to the Authority for the year ended June 30, 2007. The Township's interest in the net assets of the Authority is not significant. Separate financial statements are available at the Authority's office.

Greenwood Cemetery - Elba Township has entered into a cost sharing arrangement with Hadley Township for the maintenance of Greenwood Cemetery, located in Hadley Township. Elba Township paid \$6,000 towards maintenance for the fiscal year ended June 30, 2007. Separate financial statements are available at Hadley Township offices.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The accounts of the government are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition/construction of facilities/equipment (other than those financed by proprietary or trust funds). The designated fund balance in the capital project funds represents subsequent years' expenditures specifically identified for capital outlays.

Fiduciary Funds - Fiduciary Funds include expendable trust and nonexpendable trust and agency funds. The measurement focus of the expendable trust fund is the same as for governmental funds. The measurement focus of the nonexpendable trust is based upon determination of net income, financial position and changes in financial position. The generally accepted accounting principles applicable to nonexpendable trust and agency funds are those similar to businesses in the private sector.

Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations and are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

PROPRIETARY FUNDS:

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Township has one Enterprise Fund which is the Sewer Fund.

CASH EQUIVALENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired, are considered to be cash equivalents.

MEASUREMENT FOCUS:

Measurement Focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of our Enterprise Fund relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. The Township follows FASB Pronouncements issued after November 30, 1989 as guidance for Sewer Fund financial reporting.

CASH AND INVESTMENTS:

Deposits are carried at cost. Deposits are in four financial institutions in the name of the Elba Township Treasurer. Act 217, PA 1982, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

PROPERTY TAXES:

Property taxes are levied each December 1st on the State equalized value of property located in the Township as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50 percent of current market value. The 2006 taxable value of the Township totaled \$285,763,400. Millage rates assessed were 1.4093 for general operating and 1.4692 for fire protection.

On December 8, 1986, the Township entered into an agreement (pursuant to P.A. 425 of 1984) with the City of Lapeer for the transfer of certain parcels of land from the Township to the City. In consideration for the land, the Township receives an annual payment from the City equal to revenues the Township would have received had the parcels remained in the Township. The annexed property revenues include, but are not limited to, current tax millage, Federal shared revenues and State shared revenues. The Township also received the right to tap into the City sanitary sewer line for the purpose of serving all or part of the Lake Nepessing sewer district as currently engineered. Payments began September 1, 1987 and will continue for a period of fifty years.

The Township bills and collects its own property taxes and also taxes for the county and school districts within its boundaries. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized as revenues in the fiscal year levied.

Property taxes levied on December 1st are payable without penalty through February 14th. As of March 1st, unpaid taxes attach as an enforceable lien on the property. Delinquent taxes, special assessments, and sewer user fees, are purchased by the County of Lapeer.

ACCOUNTS RECEIVABLE:

No allowance for uncollected accounts has been set up for the sewer fees receivable or assessments. The assessments are an enforceable lien on the property. Similarly, delinquent sewer fees are placed on the tax roll. Accounts receivable in the General Fund are state shared revenues receivable.

INVENTORY:

Inventory in the Sewer Fund consists of expendable supplies held for consumption. The amount of inventory shown on the balance sheet is an allowance for inventory of expendable supplies that were on hand at the balance sheet date. The Township uses the consumption method for accounting for inventory.

CAPITAL ASSETS:

Capital assets which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Governmental</u>	
Buildings and Improvements	5 - 50 Years
Equipment	5 - 20 Years
Vehicles	5 - 20 Years
<u>Enterprise</u>	
Equipment	7 - 10 Years
Municipal Sewer System	50 Years

NET ASSETS:

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of governments.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

USE OF ESTIMATES:

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

BUDGETARY AND LEGAL COMPLIANCE:

BUDGETARY DATA:

The following procedures were completed in establishing the budgetary data reflected in the financial statements:

The modified accrual based budget was legally enacted on a departmental (activity) basis through the passage of a resolution.

The budget was used by the Township Board as a management tool during the year for all budgetary funds. Any revisions that altered the total expenditures of any department were approved by the Township Board.

Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement length basis.

The original budget was amended during the year in compliance with applicable State laws. The budget to actual expenditures in the financial statements represent the final budget as amended by the Township Board.

EXCESS EXPENDITURES OVER BUDGETARY AMOUNTS:

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted by activity within a fund. During the budget year, the Township incurred expenditures beyond budgeted amounts in the funds for which budgets were adopted as follows:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Elections	<u>Budget</u> \$ 20,300	\$ 21,874	\$ (1,574)
<u>Fire Fund</u>			
Total Expenditures	296,000	400,387	(104,387)

Note: The General Fund budget is adopted by activity. The Fire Fund budget is adopted in total. The Fire Fund budget and actual statement presented in the supplementary information was shown on the activity basis for ease of analysis.

CASH AND INVESTMENTS:

The Township's deposits are in accordance with statutory authority. At June 30, 2007, the balance sheet carrying amount of cash deposits was \$512,624. The bank balance as of June 30, 2007 was \$465,217 of which \$206,720 was covered by FDIC insurance. Cash deposits are classified in risk category number three and are uncollateralized.

For the year ended June 30, 2007 the Township invested in the Government Cash Investment Fund with Comerica Bank and the Public Funds Investment Trust with Lasalle Bank, both of whose underlying investments were U.S. Government Securities. The balances were \$1,562,597 and \$225,005; respectively. These investments are considered cash equivalents and are included with cash deposits of \$465,217 (listed above) for the total cash and cash equivalent of \$2,252,819 as listed on the Statement of Net Assets.

INVENTORY - SEWER FUND:

Inventory listed in the Sewer Fund consists of replacement pumps and tanks carried at historical cost.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

CAPITAL ASSETS:

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES FOLLOWS:

	BALANCE 7/01/06	ADDITIONS	DEDUCTIONS	BALANCE 6/30/07
Capital Assets Not Being Depreciated				
Land	\$ 24,500	\$ -0-	\$ -0-	\$ 24,500
Capital Assets Being Depreciated				
Building and Improvements	\$ 653,248	\$ 32,751	\$ -0-	\$ 685,999
Equipment	489,708	192,815		682,523
Vehicles	1,163,754			1,163,754
Total Capital Assets Being Depreciated	<u>\$2,306,710</u>	<u>\$ 225,566</u>	<u>\$ -0-</u>	<u>\$2,532,276</u>
Less Accumulated Depreciation for				
Building and Improvements	\$ 194,995	\$ 13,769	\$ -0-	\$ 208,764
Equipment	257,917	35,270		293,187
Vehicles	344,062	42,667		386,729
Total Accumulated Depreciation	<u>\$ 796,974</u>	<u>\$ 91,706</u>	<u>\$ -0-</u>	<u>\$ 888,680</u>
Total Capital Assets Being Depreciated, Net	<u>1,509,736</u>	<u>133,860</u>	<u>-0-</u>	<u>1,643,596</u>
Total Governmental Activity Assets, Net	<u>\$1,534,236</u>	<u>\$ 133,860</u>	<u>\$ -0-</u>	<u>\$1,668,096</u>

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES FOLLOWS:

	BALANCE 7/01/06	ADDITIONS	DEDUCTIONS	BALANCE 6/30/07
Capital Assets Not Being Depreciated				
Land	\$ 163,012	\$ -0-	\$ -0-	\$ 163,012
Capital Assets Being Depreciated				
Sewer System	\$4,940,101	\$ 183,434	\$ -0-	\$5,123,535
Equipment	156,330			156,330
Total Capital Assets Being Depreciated	<u>\$5,096,431</u>	<u>\$ 183,434</u>	<u>\$ -0-</u>	<u>\$5,279,865</u>
Less Accumulated Depreciation for				
Sewer System	\$1,300,272	\$ 96,920	\$ -0-	\$1,397,192
Equipment	57,477	6,253		63,730
Total Accumulated Depreciation	<u>\$1,357,749</u>	<u>\$ 103,173</u>	<u>\$ -0-</u>	<u>\$1,460,922</u>
Total Capital Assets Being Depreciated, Net	<u>3,738,682</u>	<u>80,261</u>	<u>-0-</u>	<u>3,818,943</u>
Total Business Type Activity Assets, Net	<u>\$3,901,694</u>	<u>\$ 80,261</u>	<u>\$ -0-</u>	<u>\$3,981,955</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government - Township Hall	\$ 14,021
Public Safety - Fire Fund	<u>77,685</u>

Total Depreciation Expense - Governmental Activities \$ 91,706

Business-Type Activities:

Sewer	<u>\$ 103,173</u>
-------	-------------------

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

LONG-TERM DEBT:

On April 11, 1996, Lapeer County issued \$875,000 in Limited Tax General Obligation Wastewater System Refunding Bonds (Township of Elba). The Elba Refunding Bonds were issued in anticipation of, and are payable primarily from, certain contractual payments to be paid by the Township to the Lapeer County Treasurer acting for and on behalf of the County, pursuant to a contract between the County and the Township.

The Wastewater System Refunding Bonds - (Township of Elba) were issued pursuant to the authorization contained in Act 185 of the Public Acts of Michigan 1957, as amended, and Act 202 of the Public Acts of Michigan, 1943. As a result of the advance refunding, the Township will pay \$250,877 less in interest payments over the life of the bonds.

The Wastewater System Refunding Bonds carry an interest rate between 3.75% and 5.55% depending on maturity dates, with annual principal maturities between \$5,000 and \$105,000. The bonds are fully matured on October 1, 2009.

On January 2, 2002, the Township Board adopted a resolution establishing a special assessment district for the expansion of the Lake Nepessing Sewer System. On January 14, 2002, the Board adopted a resolution to issue special assessment bonds and amended the resolution on February 12, 2002. On March 13, 2002, \$410,000 in bonds were sold carrying interest rates between 2.5% and 5.25% with annual principle maturities of \$20,000. The bonds have a call date of May 1, 2022. The principal and interest requirements for the next five years are as follows:

	<u>Interest Ranges</u>	<u>Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business Type Activities						
1996 Wastewater System Refunding Bonds	3.75%					
Amount of Issue - \$875,000	to	\$5,000 -				
Maturing Through 2009	5.550%	105,000	\$ 380,000	\$ (85,000)	\$ 295,000	\$ 85,000
2002 Sewer Expansion Bonds	2.5%					
Amount of Issue - \$410,000	to	\$20,000 -				
Maturing Through 2022	5.250%	25,000	330,000	(20,000)	310,000	20,000
Total Business Type Activities			<u>\$ 710,000</u>	<u>\$ (105,000)</u>	<u>\$ 605,000</u>	<u>\$ 105,000</u>
Total			<u>\$ 710,000</u>	<u>\$ (105,000)</u>	<u>\$ 605,000</u>	<u>\$ 105,000</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending June 30</u>	Business Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 115,000	\$ 28,356	\$ 143,356
2009	115,000	22,498	137,498
2010	125,000	16,189	141,189
2011	20,000	12,415	32,415
2012	20,000	11,525	31,525
2013-2017	100,000	45,825	145,825
2018-2023	110,000	19,543	129,543
Total	<u>\$ 605,000</u>	<u>\$ 156,351</u>	<u>\$ 761,351</u>

INDIVIDUAL FUND INTERFUND RECEIVABLE/PAYABLE:

<u>RECEIVABLE FUND</u>	<u>AMOUNT</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	\$ 10,346	Current Tax	\$ 10,346
	3,401	Trust and Agency	3,401
	323,608	Sewer	323,608
Fire	8,306	General	8,306
Total	<u>\$ 345,661</u>		<u>\$345,661</u>

The interfund balances between General Fund and the Fiduciary Funds is to maintain account balances at a level that interest will be earned with no service charges.

The balance between General Fund and Sewer Fund was to pay for engineering costs prior to the issuance of the special assessment bonds. The balance was eliminated upon receipt of the proceed of the bond sale.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

DEFERRED COMPENSATION:

Elba Township offers all its firemen a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Elba Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Elba Township's financial statements. Employer contributions for the year were 7.5% of covered payroll for a total of \$4,049.

At no time during the fiscal year did the Township's retirement plan investment portfolio use derivative instruments or products.

SUBSEQUENT EVENT:

On July 18, 2007, the Township sold special assessment bonds totaling \$3,090,000 carrying interest rate of 4.125%. The bonds have annual maturity payments varying between \$80,000 and \$160,000. Beginning in 2019 payments become bi-annual ranging from \$300,000 to \$320,000 with the final installments due May 1, 2027. Bonds maturing on or after May 1, 2017 may be redeemed prior to maturity on or after May 1, 2016. A special assessment district has been established with collections beginning on the December 1, 2007 tax roll.

RISK FINANCING:

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
REVENUES				
Taxes	\$ 341,500	\$ 341,500	\$ 381,933	\$ 40,433
State Shared Revenue	390,000	390,000	373,717	(16,283)
Charges for Services	25,000	25,000	33,143	8,143
Interest Earnings	6,000	6,000	35,729	29,729
Rentals	5,000	5,000	5,100	100
Other Local Revenues	6,300	6,300	5,077	(1,223)
Total Revenues	<u>\$ 773,800</u>	<u>\$ 773,800</u>	<u>\$ 834,699</u>	<u>\$ 60,899</u>
EXPENDITURES				
Current:				
General Government:				
Township Board	\$ 17,500	\$ 17,500	\$ 13,644	\$ 3,856
Supervisor	31,610	31,610	28,764	2,846
Elections	20,300	20,300	21,874	(1,574)
Assessor	43,050	43,050	39,463	3,587
Clerk	78,065	78,065	71,483	6,582
Cemetery	12,550	12,550	9,729	2,821
Board of Review	7,300	7,300	3,792	3,508
Treasurer	76,700	76,700	68,733	7,967
Legal Audit and Engineering Fees	37,000	43,947	37,223	6,724
Township Hall	103,462	105,462	86,761	18,701
Other General Government	7,400	7,400	7,387	13
Total General Government	<u>\$ 434,937</u>	<u>\$ 443,884</u>	<u>\$ 388,853</u>	<u>\$ 55,031</u>
Public Safety	\$ 176,850	\$ 176,850	\$ 132,717	\$ 44,133
Public Works	185,600	185,600	49,405	136,195
Culture and Recreation	5,000	5,000		5,000
Insurance, Benefits and FICA	72,000	72,000	59,178	12,822
Other Activities	20,350	13,403	5,160	8,243
Capital Outlay	25,000	25,000		25,000
Total Expenditures	<u>\$ 919,737</u>	<u>\$ 921,737</u>	<u>\$ 635,313</u>	<u>\$ 286,424</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (145,937)</u>	<u>\$ (147,937)</u>	<u>\$ 199,386</u>	<u>\$ 347,323</u>
FUND BALANCE - July 1, 2006	<u>984,386</u>	<u>984,386</u>	<u>984,386</u>	<u>-0-</u>
FUND BALANCE - June 30, 2007	<u>\$ 838,449</u>	<u>\$ 836,449</u>	<u>\$1,183,772</u>	<u>\$ 347,323</u>

See Auditor's Report and Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - FIRE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES</u>				
Taxes	\$ 290,000	\$ 290,000	\$ 328,215	\$ 38,215
Interest Earnings	<u>6,000</u>	<u>6,000</u>	<u>15,450</u>	<u>9,450</u>
Total Revenues	<u>\$ 296,000</u>	<u>\$ 296,000</u>	<u>\$ 343,665</u>	<u>\$ 47,665</u>
<u>EXPENDITURES</u>				
Current:				
Wages and Related Expenses	\$ 93,700	\$ 93,700	\$ 84,754	\$ 8,946
Insurance and Retirement	26,000	26,000	20,001	5,999
Supplies	17,200	17,200	25,872	(8,672)
Repairs and Maintenance	12,000	12,000	16,460	(4,460)
Public Education	6,500	6,500	4,042	2,452
Utilities and Telephone	12,300	12,300	10,648	1,658
Education and Training	11,250	11,250	9,798	1,452
Miscellaneous	5,050	5,050	3,247	1,803
Capital Outlay:	<u>112,000</u>	<u>112,000</u>	<u>225,565</u>	<u>(113,565)</u>
Total Expenditures	<u>\$ 296,000</u>	<u>\$ 296,000</u>	<u>\$ 400,387</u>	<u>\$(104,387)</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ (56,722)	\$ (56,722)
<u>FUND BALANCE</u> - July 1, 2006	<u>308,702</u>	<u>308,702</u>	<u>308,702</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2007	<u>\$ 308,702</u>	<u>\$ 308,702</u>	<u>\$ 251,980</u>	<u>\$ (56,722)</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - LAKE NEPESSING WEED CONTROL
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Assessments	\$ 23,000	\$ 23,000	\$ 24,388	\$ 1,388
Interest Income			90	90
Total Revenue	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 24,478</u>	<u>\$ 1,478</u>
<u>EXPENDITURES</u>				
Public Works	<u>23,000</u>	<u>23,000</u>	<u>22,851</u>	<u>149</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 1,627	\$ 1,627
<u>FUND BALANCE</u> - July 1, 2006	<u>1,587</u>	<u>1,587</u>	<u>1,587</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2007	<u>\$ 1,587</u>	<u>\$ 1,587</u>	<u>\$ 3,214</u>	<u>\$ 1,627</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - LIQUOR CONTROL FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
State Shared Revenue	\$ 3,500	\$ 3,500	\$ 3,345	\$ (155)
<u>EXPENDITURES</u>				
Liquor Law Enforcement	<u>3,500</u>	<u>3,500</u>	<u>3,345</u>	<u>155</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>FUND BALANCE</u> - July 1, 2006	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ 2,500	\$ 2,500	\$ 4,950	\$ 2,450
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	\$ 2,500	\$ 2,500	\$ 4,950	\$ 2,450
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Transfers Out	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Net Change in Fund Balance	\$ 2,500	\$ 2,500	\$ 4,950	\$ 2,450
<u>FUND BALANCE</u> - July 1, 2006	<u>107,023</u>	<u>107,023</u>	<u>107,023</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2007	<u>\$ 109,523</u>	<u>\$ 109,523</u>	<u>\$ 111,973</u>	<u>\$ 2,450</u>

See Auditor's Report and Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - DISASTER FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>FUND BALANCE</u> - July 1, 2006	<u>1,009</u>	<u>1,009</u>	<u>1,009</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2007	<u>\$ 1,009</u>	<u>\$ 1,009</u>	<u>\$ 1,014</u>	<u>\$ 5</u>

See Auditor's Report and Notes to the Financial Statements.

COMBINING BALANCE SHEET - NON - MAJOR GOVERNMENTAL FUNDS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2007

	LAKE NEPESSING WEED CONTROL	CAPITAL PROJECTS FUND	LIQUOR LICENSE FUND	DISASTER FUND	TOTAL
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,214	\$ 111,973	\$ -0-	\$ 1,014	\$ 116,201
Total Assets	<u>\$ 2,214</u>	<u>\$ 111,973</u>	<u>\$ -0-</u>	<u>\$ 1,014</u>	<u>\$ 116,201</u>
<u>LIABILITIES</u>					
Total Liabilities	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>FUND EQUITY</u>					
Fund Balance					
Unreserved	\$ 2,214	\$ 111,973	\$ -0-	\$ 1,014	\$ 116,201
Total Liabilities and Fund Equity	<u>\$ 2,214</u>	<u>\$ 111,973</u>	<u>\$ -0-</u>	<u>\$ 1,014</u>	<u>\$ 116,201</u>

See Auditor's Report and Notes to the Financial Statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON - MAJOR GOVERNMENTAL FUNDS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2007

	LAKE NEPESSING WEED CONTROL	CAPITAL PROJECTS FUND	LIQUOR LICENSE FUND	DISASTER FUND	TOTAL
<u>REVENUES</u>					
Assessments	\$ 24,388	\$ -0-	\$ -0-	\$ -0-	\$ 24,388
State Shared Revenue			3,345		3,345
Interest Earnings	90	4,950		5	5,045
Total Revenues	<u>\$ 24,478</u>	<u>\$ 4,950</u>	<u>\$ 3,345</u>	<u>\$ 5</u>	<u>\$ 32,778</u>
<u>EXPENDITURES</u>					
Public Safety	\$ -0-	\$ -0-	\$ 3,345	\$ -0-	\$ 3,345
Public Works	22,851				22,851
Total Expenditures	<u>\$ 22,851</u>	<u>\$ -0-</u>	<u>\$ 3,345</u>	<u>\$ -0-</u>	<u>\$ 26,196</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 1,627</u>	<u>\$ 4,950</u>	<u>\$ -0-</u>	<u>\$ 5</u>	<u>\$ 6,582</u>
FUND BALANCE - July 1, 2006	<u>1,587</u>	<u>107,023</u>	<u>-0-</u>	<u>1,009</u>	<u>109,619</u>
FUND BALANCE - June 30, 2007	<u>\$ 3,214</u>	<u>\$ 111,973</u>	<u>\$ -0-</u>	<u>\$ 1,014</u>	<u>\$ 116,201</u>

See Auditor's Report and Notes to the Financial Statements.



ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

To the Township Board
Elba Township
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Elba Township for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated October 1, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Elba Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Elba Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Elba Township are described in the Notes to the Financial Statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006-2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended June 30, 2007.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because cash receipts were not entered into the general ledger accounting system in a timely manner. Due to this fact, receipts were being posted and corrections to balances in the general ledger were being done by the Township up until March 06, 2008. We were not able to begin the audit until May of 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our profession standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussion occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We have reported our findings on a separate letter.

This information is intended solely for the use of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Robson and McCallum, CPA's
September 18, 2008



ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Township Board
Elba Township

We have audited the basic financial statements of Elba Township as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Elba Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Elba Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elba Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, described in the accompanying Schedule of Findings and Responses, as items 2 and 3.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robson & McCallum, CPA's
September 18, 2008



ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

Schedule of Findings and Responses

To the Board Members
Elba Township
Lapeer, MI 48446

Dear Board Members:

During the examination of the financial statements of Elba Township for the fiscal year ended June 30, 2007 the following findings came to our attention:

- 1.) Cash receipts were not entered into the accounting records on a timely basis. Some receipts were entered beyond the date of the transaction by as much as four months. Due to this condition, cash accounts were not compared and reconciled with the treasurers records monthly causing monthly balances to be in error. This condition is a significant deficiency that adversely affects the Township's ability to process and report financial data on a timely basis.

We recommend that receipts are entered into the accounting records no less frequently than monthly and the general ledger cash balances compared and reconciled to the treasurer's cash balances.

- 2.) The Township is in violation of its credit card policy. Charge card and charge accounts were paid after the due date causing the Township to incur finance charges and late fees.

We recommend that all credit card and charge accounts be paid on a timely basis so that no interest or late charges accrue.

- 3.) The Township incurred expenditures in excess of budgeted amounts.

We recommend budgets be amended prior to authorizing expenditures in excess of budgeted amounts.

- 4.) The Township lacks the internal controls over the preparation of financial statements in accordance with GAAP, and instead relies on external auditors for assistance in preparing those statements.

We would expect this condition to continue as officials are elected and may or may not have the ability to prepare such statements. Due to that fact we do not recommend any changes to this situation at this time.

We would like to thank the Township officials for the cooperation we received during the course of the audit. Should you have any questions in connection with our recommendations, please contact us at your earliest convenience.

Very truly yours,

Robson and McCallum, CPA
September 18, 2008